

Asset Rating and Certification

FY18

Why this is important to Stockland

Asset ratings and certifications are a key means of assuring and demonstrating the quality of our assets. These ratings serve as independent validation that key sustainability aspects, including social and environmental factors, have been considered in our asset designs, developments and operations.

Rating and certification schemes also enable us to demonstrate compliance with state and national regulations, benchmark our sustainability performance against our peers and regularly track and improve our performance across our various asset classes.

Assets that are highly rated and can demonstrate optimal performance are often more attractive to customers and investors. Not only do they offer a certain level of energy and water efficiency, and therefore cost savings over the long term, they also incorporate various design features that promote social inclusion and enhance health and wellbeing. Buildings with high environmental ratings can demonstrate higher return on investment over time.¹

This document is a component of our FY18 sustainability reporting suite, which is publicly available on our [website](#). Our sustainability reporting is third-party assured and drafted in accordance with the GRI Standards.²

This Deep Dive is to be read in conjunction with our published approach to asset rating and certification, available as part of our sustainability reporting suite at [Our Management Approach to Asset Rating and Certification](#).



Key achievements

- Received a 6 Star Green Star – Communities rating for our Waterlea (Vic) residential community currently under development in Melbourne.
- Achieved a 5 Star Green Star – Design rating (Retail Centre v1) for our Stockland Green Hills (NSW) development.
- Achieved a 4 Star Green Star – As Built rating (Retail Centre v1) on our Stockland Baldivis (WA) development.
- Completed Green Star – Performance portfolio rating on our Workplace and Business Parks portfolio.
- Completed NABERS Waste and Indoor Environment ratings on three assets in our Workplace and Business Parks portfolio.
- Registered our forthcoming Retirement Living development at Newport (Qld) under the Green Star – Design & As Built rating tool.

¹ Green Building Council of Australia, Value of Green Star – A decade of environmental benefits, May 2013.

² The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>)

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FY18 priorities and progress

Commercial Property

FY18 PRIORITIES	STATUS	FY18 PROGRESS
Achieve a 5 stars NABERS Energy portfolio average for our Workplace and Business Parks portfolio by FY20	In progress	Our NABERS Energy average for our Workplace and Business Parks portfolio is 4.35 stars (down from 4.74 stars at end of FY17). The decline is attributable to vacancy in our Workplace portfolio ³ and the installation of new equipment that impacts on base building energy usage at one of our business parks.
Achieve a 4.5 stars NABERS Energy portfolio average for our Retail Town Centre portfolio by FY20	In progress	Our NABERS Energy average for our Retail Town Centre portfolio is 4.18 stars (up from 3.98 stars at end of FY17).
Achieve a 4 stars NABERS Water portfolio average for our Workplace and Business Parks portfolio by FY20	In progress	Our NABERS Water average for our Workplace and Business Parks portfolio is 3.57 stars (down from 3.69 stars at end of FY17). The decline is largely attributable to increased vacancy in our Workplace portfolio.
Achieve a 3.5 stars NABERS Water portfolio average for our Retail Town Centre portfolio by FY20	In progress	Our NABERS Water average for our Retail Town Centre portfolio is 3.18 stars (slightly down from 3.20 stars at end of FY17).
Pilot three NABERS Waste ratings in our Retail portfolio	In progress	We are in the process of confirming the eligibility of our Retail Town Centre portfolio for NABERS Waste ratings.
Pilot three NABERS Waste ratings in our Workplace and Business Parks portfolio	Achieved	We completed NABERS Waste ratings on three assets in our Workplace and Business Parks portfolio.
Pilot one NABERS Indoor Environment rating in our Workplace and Business Parks portfolio	Achieved	We completed NABERS Indoor Environment ratings on three assets in our Workplace and Business Parks portfolio.
Commence the Green Star – Performance portfolio rating process for our Workplace and Business Parks portfolio	Achieved	We completed a Green Star – Performance rating for our Workplace and Business Parks portfolio, which achieved a 2 star rating (representing 'Average Practice').

Communities

Residential

FY18 PRIORITIES	STATUS	FY18 PROGRESS
Pilot Green Star – Design & As Built certification on one new apartment project.	In progress	We have registered our apartment project at Birtinya (Qld) retirement village for Green Star – Design & As Built.
Review appropriateness of new projects for Green Star certification and embed processes to deliver credits with a focus on achieving the required five-year recertification of our Green Star – Communities rating.	Achieved	We have developed internal systems and processes to improve the delivery and recertification of our Green Star – Communities rated projects that are targeting recertification.
Conduct a review of the value of exceeding compliance NatHERS scores and investigate other built form rating tools.	Achieved	We have undertaken modelling of above average NatHERS compliance scenarios and are now looking to embed above regulation NatHERS scores in our residential developments as part of delivering on our target to reduce the energy demand of our Residential Townhomes and Completed Homes products by 10 per cent.

³ High vacancy rates can impact NABERS Energy ratings negatively because the whole building's energy use is apportioned to a small occupied area resulting in a higher rate of energy use per square metre of occupied area.



Retirement Living

FY18 PRIORITIES	STATUS	FY18 PROGRESS
Achieve 4 Star minimum Green Star – Design & As Built rating for all new retirement living developments completed within the reporting period (excluding non-DMF projects).	In progress	We currently have two Retirement Living developments targeting 4 Star minimum Green Star – Design & As Built: Birtinya (Qld) and Newport (Qld).
Conduct a minimum of one Life Cycle Assessment (LCA) on a retirement living development project.	Not achieved	We did not conduct a LCA in FY18 because there were no Retirement Living developments in the appropriate stage of development. We remain committed to this priority and expect to conduct a LCA in FY19.

Future priorities

Commercial Property

- By FY20, deliver the following NABERS rating achievements:
 - 5 stars Energy portfolio average for Workplace and Business Parks
 - 4.5 stars Energy portfolio average for Retail Town Centres
 - 4 stars Water portfolio average for Workplace and Business Parks
 - 3.5 stars Water portfolio average for Retail Town Centres.
- Renew the Green Star – Performance rating for our Retail Town Centre portfolio.
- Complete a Green Star – Performance rating on one of our Logistics assets.
- Pursue Green Star – Design & As Built ratings using the new tool on our Retail Town Centre developments at Birtinya (Qld), Baringa (Qld), Elara (NSW) and Whiteman Edge (WA).

Communities

Residential

- Develop a set of common credits in collaboration with the GBCA that can be applied across all new Residential developments targeting a Green Star rating.
- Identify a carbon zero tool for use in assessing our built form Residential projects.

Retirement Living

- Continue to target 4 Star Green Star – Design & As Built certification for existing projects at Birtinya (Qld) and Newport (Qld), as well as any new developments initiated in FY19.
- Develop a set of Common Credits in collaboration with the GBCA that can be applied across all new Green Star targeted retirement living developments.

FY18 performance and case studies

Green Star

Green Star – Communities

The Green Star – Communities rating tool, administered by the Green Building Council of Australia (GBCA) is a voluntary certification for developers of masterplanned communities that recognises the achievement of best practice sustainability outcomes. Our forthcoming community at Waterlea (Vic) was awarded 6 Star Green Star – Communities rating, as described in greater detail in the case study below.

We continue to work with new developments to ascertain the appropriateness of Green Star certification. We have developed internal systems and processes to improve the delivery and recertification of our Green Star – Communities rated projects that are targeting recertification. These are Cloverton (Vic), The Grove (Vic), Newport (Qld), Altrove (NSW), Willowdale (NSW) and Waterlea (Vic). We continue to work with the Green Building Council of Australia to build greater efficiencies into the Green



Star – Design & As Built and Green Star – Communities rating tools, and to improve recognition of the Green Star brand and rating tools in the industry and with our customers.

CASE STUDY

Waterlea achieves 6 Star Green Star – World Leadership

We were awarded a “World Leadership” 6 Star Green Star – Communities rating by the Green Building Council of Australia (GBCA) for our Waterlea (formerly known as Stamford Park) Townhomes residential development. This highly coveted certification helps to confirm the position of Waterlea as one of the most sustainable residential communities in Australia. Waterlea is our first Townhomes project to be rated under the Green Star – Communities tool and one of the first Townhomes projects in Australia to be rated.

The Green Star rating framework aligns with our own strategic priorities to improve the community and environmental outcomes of our projects. Waterlea scored full credits for ‘governance’ and rated highly across the five rating areas of ‘liveability’, ‘economic prosperity’, ‘environment’ and ‘innovation’.

The design elements of each home work to reduce environmental impact, including innovative features such as solar panels, rainwater tanks plumbed for toilet and laundry usage, and garages fitted with an electric vehicle charging point. For home owners, this means reduced power and water bills and a lower impact carbon footprint.

We have designed 20 per cent of homes to Livable Housing Australia Silver Design standard to provide for the needs of growing families and people with disabilities, injuries and life changing circumstances. Design features improve access to the home, navigational space within the home and provide a more comfortable living environment without compromising the quality of life for residents.

Anthony Scafidi, Senior Development Manager said, “We have worked closely with sustainability groups, the Green Building Council of Australia and Livable Housing Australia to design the new community to be a model development for affordability and sustainability. The team has worked incredibly hard over the past 18 months to deliver this outcome and we are proud to be at the forefront of sustainable design. We can expect to see continued customer value placed on Green Star homes with residents benefiting from design features that reduce the impact on the environment.”

Our Green Star ratings provide external verification of our projects’ sustainability credentials. We continue to use Green Star across all areas of our business to benchmark and enhance our performance.



Our new community at Waterlea (Vic) is one of five Stockland residential communities recognised as “World Leadership” with a 6 Star Green Star – Communities rating from the Green Building Council of Australia.



Green Star – Performance

Green Star – Performance, also administered by the GBCA, is a voluntary certification that rates a buildings performance in operation. We use the Green Star – Performance tool to: complement our other Green Star certifications, set performance targets, and deliver improved outcomes.

Retail Town Centres

Our Retail Town Centre portfolio received a Green Star – Performance portfolio rating in May 2016 and we will be commencing the three-year recertification process in FY19. Ratings for individual retail town centres are provided in our [Environmental Data Pack](#).

Workplace and Business Parks

We completed a Green Star – Performance rating for our Workplace and Business Parks portfolio in FY18, which achieved a 2 star rating (representing 'Average Practice') with a score of 28 points. To achieve a portfolio rating of 3 stars ('Good Practice'), we needed 30 points, and we expect our portfolio rating to increase as we enhance systems efficiency and enter into new supplier contracts that include sustainability requirements.

In addition to the portfolio rating, each building has an individual rating provided in our [Environmental Data Pack](#).

Logistics

In FY19 we will pilot a Green Star – Performance rating on one of our Logistics assets, which we will use to test the difficulty of the process on a building type that does not have a NABERS rating tool available to benchmark energy and water performance and where we do not have access to utility billing data (because we are not deemed to have operational control).

Green Star – Design & As Built

We have the largest number of Green Star rated (Design & As Built) retail town centres in Australia, as verified by the GBCA. We continue to target our Green Star certifications across our new Retail Town Centre and Retirement Living development projects.

Below are some key Green Star achievements for our business in FY18. A comprehensive list of Green Star ratings for our Commercial Property assets, Retirement Living communities, and Residential communities as at 30 June 2018 is provided in our [Environmental Data Pack](#).

Commercial Property

In FY18, we achieved a 5 Star Green Star – Design rating (Retail Centre v1) on our Stockland Green Hills (NSW) retail town centre development, and a 4 Star Green Star – As Built rating (Retail Centre v1) on our Stockland Baldivis (WA) retail town centre development.

We also have several smaller retail town centre projects currently registered for Green Star Design and As Built ratings. These include Elara (NSW), Whiteman Edge (WA); Birtinya (Qld) and Baringa (Qld). These will be the first Stockland retail town centres to be certified under the new Green Star – Design & As Built version of the rating tool.

For our Logistics and Business Parks portfolio, we have committed to integrate sustainability standards into our design brief so we maintain consistency in the design of logistics buildings to deliver good environmental outcomes. Examples of minimum sustainability standards outlined in the design briefs include:

- energy efficient LED or fluorescent lighting in office, warehouse and external areas, zoned and time controlled with occupancy and daylight sensors
- HVAC (heating, ventilation and air conditioning) systems with minimum energy performance ratings, time controlled and using refrigerants with zero ozone depletion potential and free of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs)
- water efficient bathroom and kitchen fixtures and fittings with WELS⁴ ratings and solar hot water heating
- rainwater collection for toilet flushing and landscape irrigation.

Retirement Living

We have registered our forthcoming Retirement Living development at Newport (Qld) to be rated under the Green Star – Design & As Built rating tool.

⁴ WELS is Australia's water efficiency labelling scheme requiring certain products to be registered and labelled with their water efficiency (www.waterrating.gov.au).



NABERS

We completed NABERS Energy and NABERS Water ratings for the calendar year 2017 for the full number of eligible assets in our Retail Town Centre, Workplace and Business Parks portfolios. Stockland Green Hills (NSW) is not eligible for rating as it has been in development and does not yet have a full 12 months of operational utility data to undertake a rating.

NABERS ratings – Retail Town Centre

Following the NABERS ratings undertaken in FY18 on our Retail Town Centre portfolio, the area weighted portfolio average for NABERS Energy has improved to 4.15 stars (3.98 stars in FY17) and reduced slightly for NABERS Water at 3.18 stars (3.20 stars in FY17). Nine assets out of 25 achieved an improved energy rating in FY18, and four assets received a lower rating. For water, seven assets achieved an improved rating while two assets achieved a lower rating. This year we resolved technical issues that have been preventing our capacity to achieve NABERS ratings at Stockland Wetherill Park (NSW), Stockland Merrylands (NSW) and Stockland Cairns (Qld) in previous years.

Key achievements regarding our NABERS ratings for our retail town centres include:

- energy ratings of 4.0 stars or better for 76 per cent of our retail town centres (out of 25 ratings)
- Stockland Shellharbour (NSW) was the most improved centre with an energy rating of 5 stars (one star improvement from last year)
- water ratings of 4.0 stars or better for 55 per cent of our retail town centres (out of 22 ratings)
- Stockland Bathurst (NSW) and Stockland Hervey Bay (Qld) had the most improved water ratings, each increasing by one star with ratings of 4.5 stars and 5 stars respectively.

A full list of NABERS ratings in our Retail Town Centre portfolio is provided in our [Environmental Data Pack](#).

NABERS ratings – Workplace and Business Parks

NABERS Energy

Following the completion of NABERS Energy ratings for our Workplace and Business Parks assets for 2017, the area weighted portfolio average for our Workplace portfolio has reduced to 4.52 stars (4.61 stars in FY17), and the average for our Business Parks portfolio has reduced to 4.22 stars (4.42 stars in FY17). The reduction for the Workplace portfolio was due to vacancy at two buildings (2 Victoria Avenue Perth and 88 Jephson Street Toowong).⁵ On an area weighted basis, this has the effect of reducing the portfolio average. The reduction in the Business Parks portfolio resulted from the half-star reduction in the NABERS Energy rating of the Optus Campus, which accounts for a large proportion of the floor area of our Business Parks portfolio as a whole. The Optus Campus rating was impacted because of a new heating, ventilation, and air conditioning system installed by the tenant, which impacts on our base building energy consumption used for our NABERS rating.

The combined Workplace and Business Parks portfolio average is 4.35 stars which is a reduction on the FY17 result of 4.74 stars. The reduction is due to a combination of the reductions in energy ratings for the locations mentioned above and the inclusion of low energy ratings for two buildings in the Mulgrave Complex (Vic) which did not receive a rating in FY17.

NABERS Water

Our area weighted NABERS Water average for 2017 for our combined Workplace and Business Parks portfolio is 3.57 stars, which is a reduction on 2016 (3.69 stars). Our area weighted NABERS Water average for our Workplace portfolio has reduced to 3.55 stars (3.98 in FY17), whereas for our Business Parks portfolio it has increased to 3.59 stars (3.48 in FY17). The reduction in the Workplace portfolio is due to several large buildings with lower ratings this year because of increased water consumption and higher vacancy. The increase in the Business Parks portfolio is due to an increase in the rating for the Optus Campus which because of its large floor area, has a significant impact on the average despite one other location with a smaller floor area that had a reduced rating.

Key achievements regarding our NABERS ratings in Workplace and Business Parks include:

- energy ratings of 4.0 stars or better for 65 per cent of the portfolio (out of 20 ratings)
- 66 Waterloo Road (NSW) and 16 Giffnock Avenue (NSW) were the most improved buildings with an energy rating of 5.5 stars and 4.5 stars respectively (each a half star improvement from last year)
- water ratings of 4.0 stars or better for 28 per cent of the portfolio (out of 18 ratings)
- Optus Campus (NSW) was the most improved building, increasing its water rating by 0.5 star to 4.5 stars.

⁵ High vacancy rates can impact NABERS Energy ratings negatively because the whole building's energy use is apportioned to a small occupied area resulting in a higher rate of energy use per square metre of occupied area.



NABERS Waste and Indoor Environment

This year we have undertaken NABERS Waste and Indoor Environment ratings on three Workplace and Business Parks assets for the first time. We did this to test the rating tools and understand the cost and complexity in doing these ratings if we were to commit to rating the whole portfolio. At this stage, we are working with our assessors to understand the rating results, the inputs and impacts of variables which contribute the rating.

NABERS ratings – Stockland Corporate Office

We are a CitySwitch⁶ signatory for our corporate offices in Sydney, Melbourne and Perth. We complete a NABERS Tenancy rating each calendar year for our corporate offices, as outlined below. In FY18, we completed a rating on our Brisbane Head Office for the first time following a major fitout in 2016 and achieved a rating of 4.5 stars, which is our best performing state office.

NABERS RATINGS – STOCKLAND CORPORATE OFFICES

	TENANCY RATING				
	2017	2016	2015	2014	2013
Sydney Head Office, L22-29, 133 Castlereagh Street	4.0	4.0	4.5	4.5	4.5
Melbourne Head Office, L7, 452 Flinders Street	3.5	3.5	3.5	3.5	2.0
Perth Head Office, L1, 2 Victoria Avenue	3.5	3.5	3.5	3.0	NA
Brisbane Head Office, L4, 99 Melbourne Street	4.5	NA	NA	NA	NA

⁶ CitySwitch supports commercial office tenants to improve office energy and waste efficiency (www.cityswitch.net.au).

Australia's first corporate Green Bond

The diversity of our debt funding is a key element of our capital strength. By leveraging our position as one of Australia's leading sustainable property companies, we sought to appeal to a new type of investor and raise funds in a new market. In November 2014, we successfully issued Australia's first corporate Green Bond, raising €300 million (A\$433 million),⁷ enabling us to further invest in leading edge sustainable projects with competitive long-term funding.

The Green Bond Principles (2016) defines that "Green Bonds raise funds for new and existing projects with environmentally sustainable benefits. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure, and promote integrity in the development of the Green Bond market." Our Green Bond is compliant with these principles.

The table on the next page outlines the allocation of these funds across our eligible projects in FY18. These projects include new and recently developed assets that meet the sustainability criteria of our Green Bond. Our Green Bond is audited and the audit statement from auditors KPMG can be reviewed on our [website](#).

GREEN BOND ALLOCATION

TYPE OF PROJECT	SITE	FINANCIAL ALLOCATION (\$ MILLION AUD)	GREEN STAR RATING
Development (Use of Proceeds Category I)	Aura (Qld)	157.1	6 Star – Communities (achieved)
	Cloverton (Vic)	9.5	6 Star – Communities (achieved)
	Willowdale (NSW)	51.1	6 Star – Communities (achieved)
	Altrove (NSW)	14.8	5 Star – Communities (achieved)
	Newport (Qld)	35.6	5 Star – Communities (achieved)
Redevelopment (Use of Proceeds Category II)	Stockland Green Hills (NSW)	159.9	5 Star – Retail Centre Design (achieved)
	Solar projects at Retail Town Centre assets	5.0	Solar projects across multiple Retail Town Centre assets
Total		433	

Additionally, we have completed post-development performance monitoring on operational assets that we featured in the bond. The key aspect that we have been monitoring is carbon emissions. We confirm that Stockland Retail Policy applies to these assets.

SITE	FY16 (KGCO ₂ -E/M ²)	FY18 (KGCO ₂ -E/M ²)	VARIATION FY16 - FY18	NOTES
Baldivis	83	43	-48%	
Wetherill Park	75	22	-71%	
Hervey Bay	60	51	-15%	
Shellharbour	38	29	-24%	
Total	58	32	-45%	Weighted average reduction of assets



To access the complete list of documents in Stockland's Sustainability Deep Dive Series, [click here](#).

⁷ Conversion rates AUD/EUR was 1.443 corresponding to the swap rates used on the date the bond was priced (24 October 2014). This is unchanged for the life of the bond.